

Interview with John R. Bunting, Jr.

September 20, 1979

The first question is: would you tell about your roots in Northeast Philadelphia, your educational background, interests, and activities in those early years? ~~I guess~~ I was born in Frankford Hospital and lived in Tacony until I went into World War II. I went through the public schools in that area, the Hamilton-Diston school, Warren G. Harding Junior High School, and Frankford High School. Then my father felt that with the war upcoming I might not have a chance to go to college so he sought a partial scholarship for me, which I received, to the Hill School in Pottstown. So I interrupted my final year at Frankford and spent a full year up at the Hill School ~~up~~ in Pottstown and enjoyed it very much.

I went through World War II. I enlisted in the U.S. Army Air Cadet program. By the time I got into it -- I was born in 1925 -- so I didn't become 18 until 1943 -- and by the time I got into the Air Cadet program I got about five weeks in Miami Beach in some kind of basic training and they decided they had too many. The enlistment program had gone very well in the early war period and they shifted us all out into various parts of the army. I was shifted into an ordinance maintenance company and was almost immediately sent to Hawaii, where I spent the next eleven months really training for what turned out to be the Okinawa adventure. I was in on that and spent the rest of the war on Okinawa and then a few months afterwards I matriculated out of the service -- I think it was April or so of 1946. So at that time Hawaii was even considered overseas, although I enjoyed it there. And I had eleven months there and I ~~suppose~~ suppose about a year or so on Okinawa. I came back and wanted to get into college as rapidly as possible and Temple was expanding greatly in order to accommodate the returning GI's. I had had an entrance examination for the University of Pennsylvania before I left the Hill School, but they were going to keep me waiting for six months or so. Temple was enlarging their program mightily in order to accommodate the returning GI's and I went there and enjoyed it very much. I got a BS degree and then stayed in and got a master's degree.

My father was a banker but not with ~~the~~ First Pennsylvania. There's also a question here -- tell about the influence of your father. My father was basically a branch manager with the PSFS and was associated with a number of ventures in the Northeast. He was at one time -- one of the owners of the old Frankford Yellowjackets football team and later, when it turned into a speedway he was the treasurer. He had had an ownership interest before and as I recall he was bought out of that but he remained involved as treasurer of the speedway, even after it moved from Frankford Avenue down to G and Erie, I think it was. And then I think he departed from that when it went up to Langhorn. In any event, he was involved in a lot of civic affairs. My father had a great influence on me. I thought the Hill School experience that I had was a fairly profound experience at that stage in my life because at that time I thought it might be replacing college, because I didn't know how long I would be in World War II and you never would know what would happen during the war or afterwards, so that I enjoyed that experience and my father was the one who talked me into that. I had been enjoying Frankford High very much and really didn't want to leave there and he talked me into that and I think it was a -- I'm forever grateful to him for having done it.

When I first -- the next question is When you first joined Federal Reserve Bank in 1950 as an economist, who was the president and what sort of relationship did you have with him? How did this contribute to your future? Al Williams, who I revered greatly and revere his memory now, was the president of the Federal Reserve Bank and I was extremely fortunate in that I came to know him very early in my career. Al Williams, as you would recall, Walter, was a wonderful person and an inveterate speaker. And Al Williams' speeches were always Al Williams, don't get me wrong, but he did like for people to give him ideas. Some people have described me as Al Williams' speech writer. I was never -- I never personally said that because it was not true. I went with him -- I accompanied him to an awful lot of speeches. I made notes for him on cards. He just wanted the idea and he would shuffle the cards and blend it into his talk. So I did work with him on a lot of speeches. Toward the end of his career -- I was quite young then, 25 or 26 -- and it was just a fabulous experience. And then as I came to be about 30, 31, 32, when Al Williams was coming toward his retirement age at the Federal Reserve, he gave me a few speeches to make of his. And a few of the places where I would go with him I came to know some people and he would go and begin the talk by appearing there, which is what they wanted, and then he turned it over to me, his associate, in an effort, and it was extremely kind of him and worked very well for me, in an effort that the Federal Reserve would continue getting those requests after he left. So I made a lot of speeches as a result of working with Al Williams and going with him

to speeches and I continued to get most of the requests that he had gotten after he had left there. It was the single most important thing in bringing me into the position I eventually have held in this bank. I don't think there's any question about it.

(HMcM: Was that quite unusual at the time for bank presidents to go around making speeches?)

~~N~~, I think it was quite unusual. As Walter knows, Al Williams had been the dean of the Wharton School at the University of Pennsylvania and he had started it -- this I'm told -- during the war period on the savings bond drive. He went out to the banks to exhort them to take savings bonds from the U.S. government, etc. So he had come to be very well known by speaking to the bankers especially about bond drives for the U.S. government, etc. And then in the post-war period he felt that his contacts were extremely useful to the federal reserve and enabled the Federal Reserve without browbeating the bankers to exert influence over them. He felt it was useful to maintain these contacts. So that Al Williams -- well, when I started speaking after he left the bank, I, and I'm not exaggerating at all, I gave a hundred speeches a year for a period of about seven or eight years. I never kept a count of Al Williams' speeches while he was there but I'm sure that Al Williams made 75 to 100 speeches a year.

(WMP: Mostly on the economy?)

Almost all on the business outlook, federal reserve policy, inflation. Although the inflation wasn't what it is today -- it was 1 or 2 % and you would give a talk on why inflation and unemployment was high. But generally speaking, I would accept almost any title and give virtually the same talk. So it was generally on the business situation -- always a forecast. Sometimes its focus would be on inflation. Sometimes the focus would be on interest rates or unemployment. And you would give a different talk but generally you had a fundamental talk on the business system and you would focus on different things for different groups. I could make a speech on the spur of the moment because I always had a speech in my mind.

(HMcM: Al Williams had been president through the war years?)

I think Al Williams was on the board through the war years and I think he was Chairman of the Board. And then I believe

they asked him after that to become the President of the Federal Reserve and leave the University of Pennsylvania and become a professional banker.

(WMP: He must have died.)

He died about three or four years ago. Next question -- on your arrival in 1964 at the First Pennsylvania Bank had there been a tradition among the top level executives of concern and involvement in city affairs? I think very definitely that was true. Bill Kurtz I guess was the Chief Executive of this institution in the period from 1946 through 1955. And Bill Kurtz was a close friend of Al Williams and I would say from the perspective I had at the Federal Reserve that Bill Kurtz was probably the most active person in civic affairs among the top bankers in the city at that time. He was very important in those years.

Bill Kurtz then I think brought Bill Day to the bank because he saw Bill Day as replacing him in that area -- in the civic affairs area. And Bill Kelly became the Executive Head of the bank and Bill Day sort of went out into the community more. Bill Day became chairman of the board of trustees of the University of Pennsylvania, he was a latter-day chairman of GPM and was very active in civic affairs. Bill Kelly, while active in some catholic philanthropic causes, and in the American Bankers Association, was not as active locally. Bill Day kind of took care of that. Bill Day was the chairman of the bank and Bill Kelly was the president and Kelly pretty much ran the bank inside and Bill Day kind of penetrated the civic area.

Kelly brought me into the bank in 1964 and he got cancer within six months or so of my coming into the bank -- I think he died a year later.

Bill Walker had been the Chief Executive very very briefly of the First National Bank. Within six months of Bill Walker's predecessor, whose name I can't remember, at the First National Bank -- ~~within six months of his death Bill Walker~~ -- Bill Kurtz really brought it about -- a merger in 1955 between the First National and the Pennsylvania Company. The Pennsylvania Company was the dominant bank. It was a much larger bank than First National. So that Kelly and Day were more or less at the top and Bill Walker was like the third man. But the director_s of the First

National -- and most of us didn't know it -- I didn't know it and the reason I came to know it was I had the office next to Tony Felix, who was the secretary of the corporation -- when they made the merger, ~~it~~ stipulated that upon the death of the Chief Executive of the newly formed bank, the First Pennsylvania, that Bill Walker would become the Chief Executive. Walker became the Chief Executive. We have mandatory retirement and Walker became the Chief Executive until he retired, which was just two and a half years. And his charge was to pick the next Chief Executive. And he selected me. And I became the Chief Executive in 1968. I served until July 23rd of this past year.

In terms of minority hiring, which you asked about here, we at one point -- I guess it was right after I became the Chief Executive -- we moved a number of black employees from a total of less than 400 to 1500 in a twelve month period. Unfortunately Thatcher Longstreth found out about this and he was very well-meaning and he did it in a way that was favorable -- he wrote about it in the Chamber of Commerce publication -- that First Pennsylvania had done this wonderful job. Well, we had been moving along very smoothly, with no problems. Suddenly when the white employees learned that we had so many -- that this had gone from 400 to 1500 -- we started to have a few problems. So that we then sort of capped it there for a little while in order to assimilate the additional people. But it was very interesting -- and I don't make speeches about this because I like Thatcher very much and he certainly was well-intentioned -- but I think if that article had not appeared we would have had the whole thing take place much more smoothly than it did. I think we then began to get complaints about black employees -- that they weren't really measuring up and everything else.

(WMP: From outside the bank or inside the bank?)

Both. We introduced -- and this is something that is not known -- around this time, and I can't be precise as to month, but right around the same time we began getting a lot of complaints about the dress of some of our tellers. When we looked into it they would invariably be black tellers. And the customer would complain that the woman was not dressed the way a person associated with your fine bank would be. I think every letter I received along those lines were from people who were complaining about black female tellers. And again some of them were legitimate complaints. The girls would be dressed in ways -- I could see some reason for criticism. That's a very difficult thing when you start talking to a woman about how she is dressed. So rather

than do that we decided to get what we called career clothes. We had career clothes in this institution up until about a year and a half ago. Employees got tired of them and didn't like them. Finally we just phased them out. But we got career clothes mainly so that we wouldn't have to tell the new black employees how to dress. And the fellows wore a sport coat -- and we got them blazers and plain grey pants -- and we got two things for the summer and two things for the winter. We had green and blue. And the girls got similar clothes to the airline people. They were very popular at first. Extremely popular at first. Because it saved everybody a lot of money. They didn't have to wear their clothes to the bank. It went over very well for a while. And then it became a -- like everything else, people got tired of it. So we phased them out about a year ago. But we never publicized this but actually we brought it in because I thought it was the smoothest way to overcome the complaints that we got.

Now within the bank we got complaints ^{that} about blacks have no sense of time -- if they are four minutes late they say what's four minutes -- and again some of it was justified and some of it was a reaction from the article. The whites suddenly began complaining about the blacks. And that was something we just overcame over time and today we have what we consider to be a healthy proportion of blacks within our work force, which is about between 20 and 25 percent. But they are in all kinds of positions. And we have had difficulty -- no question about it -- in moving blacks up the managerial scale. That's one of our ambitions -- we show charts on it -- twice a year in our board meetings. We had a meeting where we would show the board and ourselves what was the black population in the bank, what kinds of positions were they in, how many had been promoted, how many were at the level of vice president, etc. And we had not been able to show great improvement in the senior levels. I think there are a couple of reasons for it. One, my father was not a chairman of a bank, but my father was a branch manager, he worked in a bank, his father had worked in a bank -- but my point is that I knew how to behave in a bank. I knew the way bankers behaved and what was expected of you. I knew some other bankers knew me. The black people coming in -- by and large their fathers had come up here from the rural south. So in addition to learning just the skills of the job they had to learn a whole pattern of behavior. And as you get into the higher regions of the bank the nuances become important. There aren't great distinctions between the ability of a lot of people that work in banks and in my experiences elsewhere as well, so you begin selecting on nuances, not fundamental ability. If you took an IQ, I've often said, and I'm sure it's true, there are at least

50 to 55 people who are eligible to be Chairman of the Board of this bank. And they only select one and they select that on nuances. And blacks have certain disadvantages, other than pure color, that they have to overcome. One, they haven't had the living experience -- in their speech they don't say "ing" -- they say "speakin" instead of "speaking." This makes it difficult to make that fellow a senior vice president as opposed to the fellow that just in terms of nuances is a little bit better. I think that's one reason. Now a second reason -- and one I'd rather talk about -- we've had as one of the pioneers in this -- we have been a source of black talent for other firms -- RCA, Campbell Soup, etc.

(WMP: They raid you?)

Oh sure. Especially in the beginning when we were doing it and none of them were and then they all had to show numbers. We had the reputation for having done it first and therefore, if you were looking for a promising black you'd look at First Pennsylvania. It helped a lot of black fellows. But we also lost a lot of our best blacks in the early days to other companies that were beginning to do what we had done. Because I think any company wants to get immediately one or two at a fairly high level. So you can show the people coming in that you can get there. You have to kind of have a father figure at a fairly high level.

We started our program with a fellow named Jim Blocker, who was a very engaging personable and bright graduate of Penn State. And Jim was a Vice President and later a Senior Vice President in the Personnel area and he became a father confessor to a lot of these younger black employees who came in. If they had problems they would take them to Jim Blocker and he had access right to me even though he reported to an Executive Vice President above him. He always knew he could come to me. And I think a lot of other firms used that same technique. They would bring in at least one black at a high level, without waiting for him to work his way up. Same thing you do with a board of directors, where you put a black on the board so that the blacks in the starting level jobs have a feeling that they have a friend in court or that they can make it on the way up.

So we lost a lot of people. We lost Blocker, as a matter of fact, eventually. And we have a very good fellow now in that

same role, but now we have had some real success. We had the first black Vice President in charge of advertising of any major corporation in the United States and he's been shifted now to public relations, to give him both experiences, preparatory to probably making him the head of marketing. But he was the first black vice president and he was a fellow who absolutely just did it on merit.

Is that enough on the black thing?

(WMP: Just one more question -- did you find any good men from Lincoln University?)

We haven't -- we had a program with them where we took people in the summer. And generally speaking I would have to say we've had better experience with the people we've had from Temple, Penn, St. Joe, the local colleges. We tried a program with people from Lincoln and I personally worked with a couple of people from there because they were on special assignment to me during the summer to do a study and I wasn't terribly impressed.

The role that I played as Chairman of the Committee that was formed in 1977 to make a \$50 million loan to bail out the city's school system -- ~~actually, the \$50 million loan~~ -- the school district has balanced its budget since we've made that loan. What it didn't do and what the press makes a big thing of is hold within the 7% guideline that we imposed at that time. We imposed on the schools two things -- one, they had to operate in a balanced budget if they wanted to receive that loan, and they have accomplished that and two, their expenditures couldn't increase by more than 7% per pupil in any year over the period of the loan, which was a five-year period. They have balanced their budget, and as a matter of fact had surpluses in each of the last two years, but they have not operated within the 7% guideline. Their increases have been 8.3% or something like that per year.

My own view is that the 7% guideline has worked in that I think the spending increases would have been higher than 8.3% if we hadn't imposed 7 on them. And secondly, the important thing is they have balanced their budget. So that I have been the leader of the group within that organization that has said as long as they balance their budget I don't think we have a leg to stand on in calling the loan. It is my view, Walter, that if we were to call the loan there is no judge in the Commonwealth who would uphold us as long as they are repaying it and balancing their

budget. A seven percent guideline is fine, but if I have a borrower and I say I don't like his necktie and that's what a seven percent guideline is, and he says yes but I'm paying him back with interest and my budget is balanced I don't think I have a leg to stand on. So I don't think those who want to withdraw the loan could do it if they tried. And I believe that management is the art of doing what you have to do as gracefully as possible. And once you know you have to continue with that loan then I think you make the best of it. You do that as gracefully as you can. Now when I say have to, if they don't balance their budget I would call that loan in a minute. But I think as long as they balance their budget we have to continue extending those loans. And by the way, 18 of the 21 financial institutions have consistently agreed with me. I never lost more than three votes in that group. There have been three -- Stuart Rausch got his own institution, he got the General Accident, where he's chairman of the Executive Committee, and he got the Fidelity Mutual, where he's the Chairman of the Executive Committee, to vote against it. And other than that, every other financial institution has voted for it. So I think it's clear which side, in my view, good sense is on. I don't think Stuart Rausch could call that vote if he tried. Now if they don't balance their budget we could all call it, and I would. But you cannot call that loan just on the basis of that 7%.

Next -- you must have had some very specific reason for supporting the change in the city charter which would have permitted the mayor to seek a third term. Would you tell us why you espoused the charter change? I didn't espouse the charter change, I was asked by the President of City Council to come over and testify on the charter change. I'm sure the President of City Council knew that I felt two things, which I had expressed to him at a cocktail party. One, that I thought that a mayor should be able to seek a third term, or a fourth term, for that matter. Two, I thought that this should be grandfathered, however, so that if it were accomplished it would not accommodate any mayor who brought it about. Both things I said in the Council meeting. My own experience is that I saw the Shapp administration in its second term. I supported Gov. Shapp both times he ran. I was the Chairman of his Finance Committee that wrote the state income tax -- they bastardized it -- others did -- but we wrote a good tax to begin with. I was the chairman of the Delaware River Port Authority for Governor Shapp. I liked Gov. Shapp personally. I think in his second term he was a disaster as governor. I think in large measure because Dick Doran and a lot of other good people that worked for him in the first term knew that

he was a lame duck and began going out of there. They weren't people that had enough wealth to sustain them. They were young people. They just went like that in order to find jobs over that second term and he was operating in that second term with second, third, fourth, line people, in my view.

Rizzo, on the other hand, who told everybody in his administration don't worry, I'm going to get a third term -- I'm going to change the charter -- was able to hold people. When he did bse people, like Gaudiosi, he got somebody better, like Joe LaSala. Because LaSala came in figuring Rizzo was going to run and win again. Hillel Levinson stayed with him. I'm not saying that Rizzo should have had third term, because I don't think you change a law to suit anybody who is in office. And that part of my testimony gets washed away. I said that I thought from what I saw at the state government, and I knew both -- and I never supported Rizzo in an election, by the way. I supported Thatcher Longstreth and the second time, Charlie Bowser. And I'm by nature a Democrat and I didn't support him. I supported Thatcher. And I supported Charlie. Because I don't identify with Frank Rizzo. On the other hand, I personally believe what I told you. And that's what I testified over there.

What have been the forward looking programs that have emanated from City Hall? Which ones were germinated from business or civic sectors? I don't know if you mean this administration or others. I would say recently the Philadelphia Mortgage Plan, which was almost entirely a brain-child of GPP, the old GPM, which was Jim Bodine from this bank and Fred Heldring from PNB, and Todd Cooke from PSFS. Jim carried the ball on that. I supported it but Jim went to all the meetings and all. Stuart Rauch and Morrie Dorrance and I each sent our presidents and they did the whole thing. I think that was very good. I personally think that if you are talking about this past administration that this past administration got the school system somewhat back under control. But the school system -- Dilworth was such an engaging figure and such a leader, I'll just put it that way -- that when he was head of the school system, and there was a definite need for this at that time, but I think it went too far -- the Philadelphia public schools were almost running out of hand. They were spending so much money and building buildings etc. ~~This fellow~~, Rizzo, I think in his first term reacted too much to that and tried to keep them under too strict a control and working always under duress and with a bare bones budget. I think by the time of

the second Rizzo administration, however, I and others had penetrated his consciousness enough that we were able to get a realistic view of the school system from the city and along with the carrot of a loan that we would provide if he would provide some money, I think we have the schools in a rather good program. Now the press is so accustomed to talking about the school problems in Philadelphia that they continue to talk about it. But my own view is that if you go to Cleveland, if you go to Detroit, if you go to Boston, if you go to Baltimore, if you go to any other major city, older city, like Philadelphia, you will find that our public school system is in better shape, is better financed than virtually any of them. And I think to some extent it is a combination of Dilworth having gone up here and Rizzo calling a halt to it and then over the last few years sort of coming out in the middle somewhere. And that's not so much Rizzo's vision, it's more or less his action, which in combination with what preceded it I think has produced now a fairly stable and fairly healthy situation. Now you always -- where you have 65 and 70% black enrollment, and that's what you have in the Philadelphia school system, you're going to have problems. You're going to have problems of integrating the schools -- and I don't mean that we're trouble-free -- but I do mean given that 65 to 70% of that system is black and given the problems of financing a city where a huge part of the population of the city is on relief, welfare, or some form of state or federal aid, I think we've done a good job with the school system here and I know I have spent, over the past few years, countless hours with Rizzo, Gaudiosi, LaSala, Hillel Levinson, and others helping achieve that. And I think I've been successful. But who knows?

And so -- what are the most pressing problems of the city in our day? I guess that financing the city is the catch-all. It's my view, and I've expressed it innumerable times, that you have to regionalize the tax base. Now you people started that some years ago with the wage tax, which of course catches the people in the suburbs who work in the city or the people in the city who work in the suburbs. But I think we have to go beyond that, in my view, and we have to have a common tax pool for this region. And until we do I think we are going to have tremendous problems and frictions in financing the police, the firemen, the schools, anything having to do with the city. So I think we have to integrate the tax base here. Regionalize the tax base.

I'm sorry. I have an appointment. I'd be glad if you want to come back some time --

(HMcM: Would you very quickly skip to question 13?)

Yes. I probably will start an econometric forecasting company. I may announce it very soon, as a matter of fact. I may leave here, at least officially, before I had originally said because I find myself able to sign a few people on and I'm afraid they'll go away. I plan to have a company that will be located in the mid-city here. We will do a forecasting of where the U.S. economy is going, where the regional economy has gone, we will work with probably some specific firms -- we aim to have four large accounts. I have two of them locked up at this time. And we would like to work right with them and be their economic arm. But in addition to working intimately with let's say four major entities we will probably broadcast, so to speak, a quarterly letter that will review at least the broad outlines of our work and our findings.